



ARIZONA STATE SENATE
Fifty-Fourth Legislature, First Regular Session

ENACTED

AMENDED

FACT SHEET FOR H.B. 2750/S.B. 1552

higher education; budget reconciliation; 2019-2020.

Purpose

Makes statutory and session law changes relating to higher education necessary to implement the FY 2020 state budget.

Background

The Arizona Constitution prohibits substantive law from being included in the general appropriations, capital outlay appropriations and supplemental appropriations bills. However, it is often necessary to make statutory and session law changes to effectuate the budget. Thus, separate bills called budget reconciliation bills (BRBs) are introduced to enact these provisions. Because BRBs contain substantive law changes, the Arizona Constitution provides that they become effective on the general effective date, unless an emergency clause is enacted.

H.B. 2750 contains the budget reconciliation provisions for changes relating to higher education.

Provisions

Arizona Teachers Academy (Academy)

1. Renames the *Arizona Teacher Academy* to the *Arizona Teachers Academy*.
2. Expands the Academy to include Arizona community colleges that offer postbaccalaureate programs leading to teacher certification and enter into an agreement with the Arizona Board of Regents (ABOR).
3. Subjects an eligible community college Academy to statutory requirements currently applied to a university Academy.
4. Removes the requirement that students in the Academy be Arizona residents.
5. Replaces the requirement that each public university provide each full-time Academy student with an annual tuition and fees waiver with the requirement that each eligible community college and public university provide a scholarship for the tuition and fees associated with the student's program of study, after all other financial gifts, aid or grants are received:
 - a) for graduate university students, in the amount of \$10,000 per academic year for a maximum of two academic years or four semesters;
 - b) for undergraduate university students, in the amount of \$5,000 per academic year for a maximum of four academic years or eight semesters;

- c) for community college students, in the amount of \$3,000 per academic year for a maximum of two academic years or four semesters; and
 - d) for teachers at an Arizona public school seeking national board certification, \$2,500.
- 6. Prohibits an eligible institution from charging Academy students for any remaining difference between the scholarship amount and tuition and fee costs after all other aid is received.
 - 7. Allows an eligible institution to use excess scholarship monies for Academy costs if the scholarship amount exceeds tuition and fee costs.
 - 8. Adds, to the accelerated models that Academy programs must include:
 - a) specialization in special education; and
 - b) critical need areas, including low-income public schools, public schools located on Indian reservations and rural public schools.
 - 9. Requires, for teachers seeking national board certification, the teaching commitment to be one additional year after completing the national board certification program's requirements.
 - 10. Specifies, for students who concurrently teach and receive the scholarship, that the commitment period to teach at an Arizona public school for one full school year for each year the student receives a scholarship begins after the student graduates from the Academy.
 - 11. Requires students enrolled in a noneducation Academy program to complete at least one teacher preparation course to ensure the likelihood of transition into a postbaccalaureate program to receive a teaching certification following graduation.
 - 12. Defines *eligible postsecondary institutions* as universities under ABOR's jurisdiction and Arizona community colleges that offer postbaccalaureate programs leading to teacher certification that have entered into an agreement with ABOR relative to the programs.
 - 13. Defines *tuition and fees* as tuition, mandatory fees and program fees associated with an Academy program leading to teacher certification that are charged by an eligible postsecondary institution.

Arizona Teachers Academy Fund (Academy Fund)

- 14. Establishes the Academy Fund consisting of legislative appropriations made for administering the Academy and specifies that Academy Fund monies are continuously appropriated and exempt from lapsing.
- 15. Requires ABOR to administer the Academy Fund and establish criteria for distribution of Academy Fund monies to eligible institutions each fiscal year for Academy costs.
- 16. Restricts the use of Academy Fund monies to:
 - a) the reimbursement of Academy scholarships that cover the balance of tuition and fees for undergraduate, graduate and postbaccalaureate Academy students after all other gifts and aid are received;
 - b) support for teachers employed in an Arizona public school who are seeking a national board certification;
 - c) induction services for Academy graduates; and
 - d) Academy administration and implementation of a marketing and promotion plan to recruit and retain students, not to exceed three percent of monies in the Academy Fund each fiscal year.

17. Allows eligible institutions to use Academy Fund monies remaining at the end of each fiscal year for Academy costs in the next fiscal year.
18. Requires, by August 1, the Academy's current fiscal year appropriation to be reduced by the amount of Academy Fund monies remaining at the end of the prior fiscal year.

Academy Administration

19. Replaces the requirement that ABOR develop metrics to assess Academy efficacy and a recruitment plan with the requirement that ABOR consult with eligible community colleges and universities to develop and implement centralized administrative processes for the Academy, including:
 - a) data collection and reporting;
 - b) tracking postgraduation service requirements;
 - c) coordinating induction services;
 - d) distributing monies in the Academy Fund between eligible postsecondary institutions; and
 - e) collecting reimbursement from individuals who fail to meet service obligations.
20. Requires a student who does not successfully complete the academic year in good academic standing or does not fulfill the teaching commitment to reimburse ABOR, rather than the university.
21. Requires ABOR to establish a process to assess the ability of a student who is physically or mentally unable to fulfill Academy requirements to repay the received financial assistance, rather than requiring a university to assess the student's repayment ability.
22. Requires ABOR to establish a service or repayment deferral process based on factors adopted by ABOR.
23. Requires ABOR, by March 1, 2020, and each subsequent year, to report to the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting:
 - a) the total number of enrolled Academy students in the current academic year by eligible institution;
 - b) the number of Academy graduates receiving induction services in the current academic year; and
 - c) the estimated amount of committed monies from the Fund in the current fiscal year.
24. Adds, to the information ABOR must annually report to the Governor, the President of the Senate and the Speaker of the House of Representatives:
 - a) the number of teachers receiving a scholarship through the Academy for national board certification;
 - b) the number of graduates receiving induction services;
 - c) the number of students who have deferred repayment agreements and the number who have completed repayment agreements;
 - d) the distribution methodology for monies appropriated for the Academy to each eligible institution and the amount distributed to each; and
 - e) the amount of unused Academy Fund monies from the prior fiscal year.
25. Delays, from July 1 to September 1, the date by which ABOR must annually report the outlined information to the Governor, the President of the Senate, and the Speaker of the House of Representatives and submit a copy to the Secretary of State.

Universities

26. Requires each university to retain revenues from tuition, fees and appropriated state General Fund monies as adopted in each university's operating budget, rather than remit the monies to the State Treasurer.
27. Requires tuition and fees to be deposited in each university's tuition and fees subaccount.
28. Removes the requirement that, for each year the Legislature appropriates monies to the universities for lease-purchase capital financing for research infrastructure projects, the universities must deposit the following amounts in the state General Fund by October 1:
 - a) for licensure agreements, royalty agreements, or agreements for the sale or transfer of university-developed intellectual property entered into by a university or component unit of a university (agreements) before June 1, 2017:
 - i. 20 percent of income received by the university from licensure and royalty payments; and
 - ii. 25 percent of income received by the university from the sale or transfer of intellectual property; and
 - b) for agreements entered into beginning June 1, 2017:
 - i. 25 percent of gross revenues received by the university or any component unit from the sale or transfer of university-developed intellectual property;
 - ii. for the first three years of a licensure or royalty agreement, 20 percent of net income from licensure and royalty payments received by the university or any component unit; and
 - iii. for each year after the first three years of a licensure or royalty agreement, 20 percent of gross revenues from licensure and royalty payments received by the university or any component unit.
29. Replaces the above requirement with a requirement that each university annually transfer by October 1, to the State Treasurer for deposit in the Arizona Financial Aid Trust Fund (AFAT), 20 percent of the cumulative net income exceeding \$1,000,000 minus amounts deposited in previous years, for each individual agreement entered into by the university or component unit for which the net income reaches \$1,000,000 over its cumulative lifetime.
30. Caps the fiscal year amount each university must transfer to the State Treasurer for deposit in the AFAT at the amount appropriated to that university for research infrastructure projects and capital infrastructure.
31. Prohibits a university from reducing its required deposits due to net income or expenses associated with other projects when calculating the cumulative net income from the outlined agreements.
32. Specifies that the date by which universities must transfer the outlined amounts to the State Treasurer is October 1 following the close of the fiscal year.
33. Requires each university to annually report to JLBC by October 1 of each year the total income and net income the university received from a licensure, royalty or intellectual property agreement in the preceding fiscal year.

34. Removes the statutory requirement that Arizona State University:
- a) distribute gross or net income from the licensing and revenues derived from outlined patents, including up-front payments, royalties and other subsequent or eventual revenue attributable to commercialization; and
 - b) detail the income distribution, specific expenditures and actual expenses in an audited annual report to outlined entities.
35. Defines *net income*, for the purposes of required transfers to the AFAT, as payments received from individual agreements, net of expenses related to individual agreements including:
- a) revenue shares paid to inventors and inventors' laboratories in support of their research activities;
 - b) expenses related to pursuing, maintaining, protecting, commercializing, licensing or litigating intellectual property;
 - c) contractually required third-party distributions;
 - d) reimbursement holds related to future contractual reimbursements; and
 - e) operation management fees.
36. Continues, for FY 2020, to allow the Legislature to appropriate less than a two-to-one match to student registration surcharges deposited in the Financial Aid Trust Fund.

Community Colleges

37. Prohibits a community college district from compensating an employee for work the employee performs on behalf of an elected employee representative organization.
38. Prohibits a community college district from providing more favorable terms and conditions of employment to an employee because the employee belongs to an elected employee representative organization.
39. Funds community college district science, technical, engineering, and mathematics programs and workforce programs for FY 2020 as specified in the General Appropriations Act.
40. Funds community college district operating expenses for FY 2020 as specified in the General Appropriations Act.

Miscellaneous

41. Makes technical and conforming changes.
42. Becomes effective on the general effective date.

Amendments Adopted by Committee of the Whole

- 1. Expands the Academy to include graduate students and teachers seeking national board certification and allows Academy Fund monies to be used for reimbursement of their support.
- 2. Requires the teaching commitment for teachers seeking national board certification to be one additional year after completing the national board certification program's requirements.

3. Replaces the current requirement that universities deposit outlined licensure, royalty and intellectual property agreement monies in the state General Fund with a requirement that universities transfer, for deposit into the AFAT, 20 percent of an agreement's cumulative net income exceeding \$1,000,000, less amounts deposited in previous years.
4. Caps the fiscal year amount each university must transfer for deposit into the AFAT at the amount appropriated to that university for research infrastructure projects and capital infrastructure.
5. Prohibits a university from reducing its required deposits due to net income or expenses associated with other projects when calculating the cumulative net income from the outlined agreements.
6. Requires each university to annually report to JLBC the total income and net income the university received from a licensure, royalty or intellectual property agreement in the preceding fiscal year.
7. Removes the statutory requirement that Arizona State University distribute gross net income from outlined patents and detail the distribution and expenditures in an audited annual report to outlined entities.
8. Makes technical and conforming changes.

House Action

APPROP 5/22/19 DP 7-4-0-0
3rd Read 5/24/19 31-28-1

Senate Action

APPROP 5/22/19 DP 6-4-0
3rd Read 5/27/19 17-12-1
(H.B. 2750 was substituted for S.B. 1552 on
3rd Read)

Signed by the Governor 5/31/19
Chapter 266

Prepared by Senate Research
June 4, 2019
LB/gs